

Message Text

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ACTION EB-08

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C O R R E C T E D C O P Y ADD EO, TAGS, SUBJ,

E.O. 11652: GDS

TAGS: EFIN, EAID, EF, AFDB, AFDF

SUBJ: BERGSTEN MEETING WITH ZAMBIA FINMIN J.M. MWANAKATWE

FROM US DELEGATION AFRICAN DEVELOPMENT BANK/FUND

1. BERGSTEN MET WITH ZAMBIAN FINMIN JOHN MWANAKATWE
MAY 3, 1978 DURING COURSE OF AFDB/AFDF ANNUAL MEETING
FOR REVIEW OF ZAMBIAN ECONOMIC SITUATION. MWANAKATWE
INDICATED THAT HE WANTED TO RAISE CERTAIN ISSUES WHICH
PRESIDENT KUANDA PLANS TO DISCUSS WITH PRESIDENT CARTER
DURING HIS UPCOMING VISIT TO WASHINGTON.

2. MWANAKATWE SAID THAT THE GOZ WAS NOW OPERATING ON
AN AUSTERITY BUDGET, AND THEREFORE EXPECTS THE 1978
BUDGET DEFICIT TO AMOUNT TO THE APPROXIMATE EQUIVALENT
OF US \$90 MILLION; DOWN FROM A 1977 FIGURE OF US \$140
MILLION. HE INDICATED THAT THE DECREASE WOULD BE ACHIEVED
LARGELY THROUGH TAX INCREASES, A CUT IN GOVERNMENT EXPENDITURE,
AND A REDUCTION IN CONSUMER SUBSIDIES. HE ALSO INDICATED
THAT THE AUSTERITY PROGRAM SUPPORTS THE IMF
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STANDBY AGREEMENT WHICH INCLUDES A TOTAL PLEDGE OF
SDR 314 MILLION OVER A TWO YEAR PERIOD.

3. MWANAKATWE INDICATED THAT, DESPITE THE IMF
AGREEMENT, ZAMBIA WILL STILL EXPERIENCE CASH FLOW
PROBLEMS, AND MUST ALSO RAISE FUNDS THROUGH BILATERAL
GOVERNMENT AGREEMENTS OR FROM COMMERCIAL SOURCES. HE

SAID THAT THE ZAMBIAN DEBT ARREARAGE NOT TOTALS US:
475 MILLION, OR A 15-MONTH PAYMENT PIPELINE.

4. MWANAKATWE CONFIRMED ZAMBIAN DESIRE TO ARRANGE A
MULTILATERAL DEBT CONSULTATIVE GROUP IN COOPERATION
WITH WORLD BANK. HE ALSO INDICATED THAT THEY ARE
CURRENTLY ATTEMPTING TO SEEK FINANCING THROUGH
COMMERCIAL SOURCES IN THE U.S., UK, AND JAPAN, AND
STATED THAT INITIAL CONTACTS HAVE BEEN ENCOURAGING.
MWANAKATWE CONCLUDED THIS ASPECT OF THE DISCUSSION BY
EXPRESSING HOPE THAT THE UNITED STATES COULD MAKE
ADDITIONAL ODA AVAILABLE TO ZAMBIA TO ASSIST IN THE
CURRENT PROGRAMS.

5. BERGSTEN COMMENDED ZAMBIA FOR ITS
COOPERATION WITH THE IMF AS THE CENTRAL ELEMENT IN
SOLVING THE CURRENT PROBLEMS, AND ALSO ENDORSED
ZAMBIA'S EFFORTS TO DEVELOP A LONG-TERM DEVELOPMENT
PLAN AND RAISE COMMERCIAL FUNDS,
HE ENCOURAGED CREATION OF
CONSULTATIVE ARRANGEMENT AND INDICATED WILLING-
NESS TO DISCUSS POSSIBILITY OF U.S. PARTICIPATION
IN FURTHER DETAIL IN WASHINGTON. REGARDING
STEPPING UP OF FAST-DISBURSING U.S. ASSISTANCE,
BERGSTEN MENTIONED POSSIBILITY OF INCREASED PL480
AND ACCELERATED DISBURSEMENT OF EXISTING LOANS.
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5. IN OTHER PARTS OF CONVERSATION, MWANAKATWA
EXPRESSED PLEASURE AT ADMINISTRATION'S PROPOSAL TO
INCREASE COPPER STOCKS AND STATED U.S. WILLINGNESS
TO DISCUSS COMMODITY AGREEMENTS. IN ADDRESSING
THE COMMODITIES ISSUE, BERGSTEN CONFIRMED OUR
CONTINUING INTEREST IN THE U.S. COMMON FUND
PROPOSALS AND HOPED THAT NEGOTIATIONS COULD BE
RESUMED. MWANAKATWE EXPRESSED VIEW THAT POSITIONS
TAKEY BY PARTICIPANTS IN UNCTAD DISCUSSIONS WERE
NOT IRRECONCILABLE AND FELT THAT THE DIALOGUE
COULD CONTINUE.

6. COMMENT: AS STATED EARLIER, ZAMBIANS WERE
PRIMARILY INTERESTED IN LAYING GROUNDWORK FOR CARTER/
KUANDA MEETING. MWANAKATWE STATED THAT PRESIDENT
KUANDA KNEW OF HIS PLANS TO RAISE THESE ISSUES WITH
BERGSTEN AT THE AFDB ANNUAL MEETINGS. BERGSTEN
ASSURED MWANAKATWE THAT HE WOULD CONVEY THE ZAMBIAN
CONCERN TO WASHINGTON IMMEDIATELY. TIENKEN

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